What is claimed is:

1. A method of hedging investment risk in actively managed exchange traded funds, comprises:

extracting factor information from the portfolio of the actively managed exchange traded fund;

determining factors that affect the value of the exchange traded fund; and

selecting a portfolio of financial instruments with similar behavior with respect to the determined factors to produce a hedging portfolio that tracks the price of the exchange traded fund.

2. The method of claim 1 wherein the portfolio tracks the price of the exchange traded fund.

3. The method of claim 1 further comprising:

producing a hedging portfolio from the portfolio of financial instruments to hedge a position taken in the exchange traded fund.

4. The method of claim 1 wherein determining further comprises:

applying factor analysis to the portfolio of the exchange traded fund to provide the factors.

5. The method of claim 3 wherein applying occurs in a trusted computer system.

6. The method of claim 1 wherein the factors that are examined by factor analysis include economic activity, inflation rates or other factors that are related to measures of economic activity.

7. The method of claim 1 further comprising:

constructing a factor portfolio based upon weightings and selections of securities from a given group of securities.

8. A computer program product residing on a computer readable medium for hedging investment risk in actively, managed, exchange traded funds, comprises instructions for causing a computer to:

extract factor information from a portfolio of the actively managed exchange traded fund;

determine factors that affect the price of the exchange traded fund; and

select a portfolio of financial instruments with similar behavior with respect to the determined factors to produce a hedging portfolio that tracks the price of the exchange traded fund.

9. The computer program product of claim 8 wherein the portfolio tracks the price of the exchange traded fund.

10. The computer program product of claim 8 further comprising instructions to:

produce a hedging portfolio from the portfolio of instruments to hedge a position taken in the exchange traded

fund.

11. The computer program product of claim 8 wherein instructions to determine further comprise instructions to:

apply factor analysis to the portfolio of the exchange traded fund to provide the factors.

12. The computer program product of claim 11 wherein instructions to apply are executed in a trusted computer system.

13. The computer program product of claim 8 wherein the extracted factors that are examined by factor analysis include economic activity, inflation rates or other factors that are related to measures of economic activity.

14. The computer program product of claim 8 further comprising instructions to:

construct a factor portfolio based upon weightings of and selections from a given group of instruments.

15. A computer system for determining a basket of securities for hedging investment risk in actively managed exchange traded funds, comprises:

a trusted computer system; and

a computer storage medium storing a computer program product for determining the basket of instruments for hedging investment risk, comprising instructions for causing the computer to:

extract factor information from a portfolio of an actively managed exchange traded fund;

determine factors that affect the price of the exchange traded fund; and

select a portfolio of financial instruments with similar behavior with respect to the determined factors to produce a hedging portfolio that tracks the price of the exchange traded fund.

16. The system of claim 15 wherein the computer program further comprises instructions to:

produce a hedging portfolio from the portfolio of stocks to hedge a position taken in the exchange traded fund.

17. The system of claim 15 wherein instructions to determine further comprises instructions to:

apply factor analysis to the portfolio of the exchange traded fund to provide the factors.

18. The system of claim 15 wherein system examines factors including economic activity, inflation rates or other factors that are related to measures of economic activity.

19. The system of claim 15 wherein the computer program further comprises instructions to:

construct a factor portfolio based upon weightings and selections from a given group of instruments.

20. A method of calculating a Net Asset Valuation proxy comprises:

producing a hedging portfolio to track an actively

managed fund by extracting factor information from a portfolio of the actively managed exchange traded fund and determining factors that affect the price of the exchange traded fund to select a portfolio of financial instruments with similar behavior with respect to the determined factors to produce the hedging portfolio; and

applying current prices to the hedging portfolio to determine a NAV proxy value for the exchange traded fund.